

REMARKS/ARGUMENTS

By this paper, Applicant replies to the Office Action of November 24, 2008 and respectfully requests reconsideration of the application.

Claims 266-402 are now pending, a total of 137 claims. Claims 266, 274, 282, 283, 284, 290, 313, 319, 323, 331, 335, 340, 355, 358, 364, 367 and 392 are independent, a total of 17 independent claims.

I. Amendments

The fleshed-out definition in the claims of the term “repurchase agreement” merely states in the claim what was previously inherent, the definition used in the art. “[A] rewording of a passage where the same meaning remains intact is permissible. The mere inclusion of dictionary or art recognized definitions known at the time of filing an application would not be considered new matter.” MPEP § 2163.07, citations omitted.

Applicant notes the following definitions of the term “repurchase agreement.” The definition stated in the claims is consistent with these definitions:

1. a contract between a dealer, as a bank, and an investor, whereby the investor purchases securities with the promise that they will be bought back by the dealer on a designated date, for which the investor receives a fixed return.²

sale of securities coupled with an agreement to repurchase the securities at a higher price on a later date. A repurchase agreement is similar to a secured loan. Most repurchase agreements (or repos, as they are called) are overnight transactions, with the sale taking place one day and repurchase the next. Long-term repos, or term repos, can extend for a month or more, usually for a fixed time period. The opposite side of a repurchase agreement is a reverse repurchase agreement, a purchase of securities followed by a sale back to the seller. Securities dealers use repurchase agreements to finance their inventories, selling their inventories to counterparty investors (for instance, a money market mutual fund) that have excess short-term funds they want to invest in higher-yielding securities.³

A contract giving the seller of an asset the right or obligation to buy back the asset at a specified price on a given date.⁴

² <http://dictionary.reference.com/browse/repurchase+agreement>

³ <http://www.allbusiness.com/glossaries/repurchase-agreement/4954447-1.html>

⁴ <http://www.answers.com/topic/repurchase-agreement>

REPURCHASE AGREEMENT. agreement between a seller and a buyer, usually of U.S. Government securities, whereby the seller agrees to repurchase the securities at an agreed upon price, and usually, at a stated time. ...⁵

A **Repurchase agreement** (also known as a **repo** or **Sale and Repurchase Agreement**) allows a borrower to use a financial security as collateral for a cash loan at a fixed rate of interest. In a repo, the borrower agrees to immediately sell a security to a lender and also agrees to buy the same security from the lender at a fixed price at some later date. A repo is equivalent to a cash transaction combined with a forward contract. The cash transaction results in transfer of money to the borrower in exchange for legal transfer of the security to the lender, while the forward contract ensures repayment of the loan to the lender and return of the collateral of the borrower. The difference between the forward price and the spot price is the interest on the loan while the settlement date of the forward contract is the maturity date of the loan.⁶

A contract in which the seller of securities, such as Treasury Bills, agrees to buy them back at a specified time and price..⁷

A **repurchase agreement** (or **repo**) is an agreement between two parties whereby one party sells the other a security at a specified price with a commitment to buy the security back at a later date for another specified price. Most repos are overnight transactions, with the sale taking place one day and being reversed the next day. Long-term repos—called **term repos**—can extend for a month or more. Usually, repos are for a fixed period of time, but open-ended deals are also possible.⁸

II. Restriction

Applicant notes that the papers of September 7, 2007, November 5, 2007 and November 24, 2008 were procedurally too incomplete to raise any restriction requirement. Applicant has previously traversed any restriction on multiple grounds. The Examiner's papers have never set forth the showings required to raise a restriction in the first instance. By filing to "answer all material traversed," the Examiner allowed any requirement that may have existed to lapse.⁹ No requirement is outstanding, and no election is required.

⁵ Barrons' Dictionary of Finance and Investment Terms

⁶ http://en.wikipedia.org/wiki/Repurchase_agreement

⁷ http://www.investorwords.com/4191/repurchase_agreement.html

⁸ <http://www.riskglossary.com/link/repo.htm>

⁹ Agency actions are void – that is, they have no legal existence – when an agency fails to make the showings required in the agency's own procedural handbook. *Service v. Dulles*, 354 U.S. 363, 388-89 (1957) (vacating agency action issued in violation of guidelines stated in an unpublished agency manual); *Reuters v. F.C.C.*, 781 F.2d 946, 950-51 (D.C. Cir. 1986) ("Ad hoc departures from [an agency's] rules, even to achieve laudable aims, cannot be sanctioned"). An action taken in violation of "applicable departmental regulations" is "illegal and of no effect." *Vitarelli v. Seaton*, 359 U.S. 535, 545 (1959);

No restriction would be proper among the claims now pending. For sake of completeness, the following issues are raised again, with one new issue. Any restriction should carefully “answer all material traversed.”

A. The Examiner’s Papers Have Omitted Any Showing of “Serious Search Burden”

MPEP § 803 states the requirements for a restriction requirement (emphasis added):

There are two criteria for a proper requirement for restriction between patentably distinct inventions:

(1) The inventions must be independent (see MPEP §802.01, §806.04, §808.01) or distinct as claimed (see MPEP §806.05 - § 806.05(i)) and

(2) There must be a serious burden on the examiner if restriction is not required (see MPEP §803.02, §806.04(a)-(j), §808.01(a) and §808.02).

MPEP § 803 reiterates that a showing on criterion (2) is not optional (emphasis added):

If the search and examination of an entire application can be made without serious burden, the examiner must examine it on the merits, even though it includes claims to distinct or independent inventions.

MPEP § 803(I)(B), § 803(II) ¶ 4, and § 806.01 requires “Examiners must provide reasons and/or examples to support conclusions” of “unduly extensive and burdensome search,” for example, by “appropriate explanation of separate classification, or separate status in the art, or a different field of search.”

The Examiner’s papers have been **dead silent** on “serious search burden.” Of the issues that are discussed, the Examiner’s March 2008 paper merely makes conclusory statements, without the “show[ing] by appropriate explanation” required by MPEP § 808.02. This is insufficient to raise a restriction.

B. The November 2007 and November 2008 Papers Used Unauthorized Procedures

These two papers did not use authorized form paragraphs, and thus are insufficient to raise any restriction requirement at all. It is impossible for Applicant to know whether the

IMS, P.C. v Alvarez, 129 F.3d 618, 621 (D.C. Cir. 1997) (it is a “well-settled rule that an agency’s failure to follow its own regulations is fatal to the deviant action”); *Dodson v. Dept. of the Army*, 988 F.2d 1199, 1204 (Fed. Cir. 1993) (once an agency promulgates regulations, it is bound to follow them).

Examiner considers the claims “independent,” “distinct,” “related,” etc. and thus Applicant cannot traverse the grounds thought to apply, or comply precisely with a requirement.

C. The Examiner’s Papers Violated MPEP § 804(II)(A)

MPEP § 804(II)(A) warns that “claims may be differently worded and still define the same invention,” and that care must be exercised in restricting claims to not divide claims that are directed to the same invention. Applicant notes that the Barron’s Dictionary definition of the term “repurchase agreement” has been before the Examiner on several previous occasions. See, *e.g.*, Applicant’s paper of June 2008, page 30, footnote 1. In the January 22, 2008 telephone interview, the Examiner acknowledged the Barrons’ Dictionary definition for the first time, and there was general agreement that the “differently worded” definition stated in the claims and the definition in Barron’s Dictionary are at least very close to each other, if not identical. It is hoped that this partial agreement will mark the end of the confusion.

The November 2007 Office Action relies on the contrast between the term “repurchase agreements” of old claim 1 against “obligation of the selling party to both sell and repurchase securities” of the new claims to argue that the claims are “different inventions.” As discussed in the telephone interview on or about October 3, 2007 and again in the telephone interview of January 22, 2009, these are different words for the same thing. The redrafting of the claims from one nomenclature to the other was intended only to remove a source of disagreement that had arisen in earlier prosecution: the former examiner had a confused understanding of the established term of art “repurchase agreement.” In order to assist the former examiner and resolve any disagreement, Applicant redrafted the claims to eliminate the term of art “repurchase agreement” and instead to recite explicitly the contractual obligations that are inherent in the term “repurchase agreement.” No “shift” of invention was accomplished by the “different wording.” MPEP § 804(II)(A).

The November 2007 and November 2008 Actions do not identify any difference in inventions; they only confirm that the old and new claims are “different wording” for the same invention (in a restriction sense).

In view of that agreement among dictionary, Applicant and Examiner, the restriction stated in the November 2007 and November 2008 papers is simply puzzling, and no reply is possible. No restriction is warranted.

D. The PTO Lacks Statutory Authority to “Divide” Claims that No Longer Exist

The November 2007 paper purports to restrict between claims that are not pending and claims that are pending. There is no such thing. 35 U.S.C. § 121 only authorizes restriction in cases where “two or more independent and distinct inventions are claimed in one application.” As the United States District Court for the Eastern District of Virginia recently reminded the Office, neither the MPEP nor 37 C.F.R. can impose obligations on applicants beyond those authorized by statute. *Tafas v. Dudas*, 511 F.Supp.2d 652, 664 (E.D. Va. 2007). Neither the MPEP nor 37 C.F.R. can support a restriction that exceeds the bounds set by § 121.¹⁰

E. The PTO Lacks Authority to Enforce any Restriction Requirement, Because the PTO Neglected its Duties Under the Paperwork Reduction Act

The PTO’s most-recent request for clearance under the Paperwork Reduction Act under ICR 0651-0031, covering all “patent processing” activities between initial filing and issue, was filed with the Office of Management and Budget on September 26, 2007.¹¹ This request does not seek approval for any paperwork relating to restriction requirements.¹² Because the PTO has

¹⁰ If no such interpretation is possible, then Rule 145 and the MPEP are invalid and of no effect whatsoever. *Patlex Corp. v. Mossinghoff*, 71 F.2d 480, 487, 226 USPQ 985, 989-90 (Fed. Cir. 1985) invalidated the PTO’s interpretation of former 37 C.F.R. § 1.530(a), and the MPEP sections stating this interpretation, as follows:

... We find no support for [the MPEP’s interpretation of Rule 530] in the statute or its legislative history.

We have discerned no other interpretation for [the two relevant MPEP sections] than that which contradicts the clear intent of Congress. When Congress enacted 35 U.S.C. § 303 for the purpose of protecting the patentee, it could not have intended an implementation that would negate this protection. We can not endorse such a diversion of the statutory purpose.

[The courts] must reject administrative constructions of the statute, whether reached by adjudication or by rulemaking, that are inconsistent with the statutory mandate or that frustrate the policy that Congress sought to implement.

¹¹ http://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=200707-0651-005

¹² <http://www.reginfo.gov/public/do/DownloadDocument?documentID=44055&version=0>

never even applied for an OMB Paperwork control number for restriction paperwork, it cannot possibly have one. Not surprisingly, no control number is “displayed” on the Examiner’s papers in the manner required by the Paperwork Reduction Act.

In such situations, the Paperwork Reduction Act provides as follows:

44 U.S.C. § 3512 Public protection

(a) Notwithstanding any other provision of law, no person shall be subject to any penalty for failing to comply with a collection of information that is subject to this subchapter if –

(1) the collection of information does not display a valid control number assigned by the Director in accordance with this subchapter; or

(2) the agency fails to inform the person who is to respond to the collection of information that such person is not required to respond to the collection of information unless it displays a valid control number.

(b) The protection provided by this section may be raised in the form of a complete defense, bar, or otherwise at any time during the agency administrative process or judicial action applicable thereto.

The PTO neglected to take the steps it was required to take if it wishes to enforce restriction requirements. The PTO is not permitted to penalize an applicant for failure to elect.

If any restriction is raised in the future, applicant requests

- The OMB “valid control number” applicable to restriction requirements.
- The OMB ICR submission number in which that control number was applied for.
- An indication where that control number is “displayed” in the manner required by statute.
- Where the PTO informed the public that it is not required to respond to restriction requirements unless the requirement displays a valid control number.

III. Each Claim Recites a Limitation Absent From All Three References Raised

Each claim now pending recites an electronic trading system that treats two separate obligations or two separate transactions as a related pair, in particular ways recited in each claim. For example:

145. A method, comprising the steps of:

... the repurchase agreement offer proposing to obligate a seller to sell securities to a prospective buyer and to obligate the seller to repurchase securities at a specified future date at a specified future price, ...

As the October 2006 Action itself concedes (Action of 10/23/2006, page 3, line 17), the cited portions of Silverman '082 only discuss a trading system that can handle **single**-transaction or **single**-obligation transactions. The Brown and Best articles at best suggest that problems were known to exist that needed a solution, but neither suggests any automated trading system that might solve the problem, let alone the electronic solutions that treat two separate obligations or two separate transactions as a related pair, as recited in the claims.

The reasoning in the October 2006 Action, page 3, appears to be that Silverman's disclosure of the genus "highly specified instruments" renders obvious all trading systems for all species of instruments. This is not the law. To raise an obviousness rejection, an Action must show "motivation to modify or combine" to reach the particular combination claimed, and "reasonable expectation of success" that the particular prior art teachings relied on will achieve the particular invention claimed. *In re Lee*, 277 F.3d 1338, 1343, 61 USPQ2d 1430, 1433-34 (Fed. Cir. 2002) ("The need for specificity pervades [Federal Circuit] authority."); *In re Kotzab*, 217 F.3d 1365, 1371, 55 USPQ2d 1313, 1317 (Fed. Cir. 2000) ("particular findings must be made as to the reason the skilled artisan, with no knowledge of the claimed invention, would have selected these components for combination in the manner claimed"); MPEP § 2143.01 ("The prior art must suggest the desirability of the claimed invention," not merely some unspecified invention in a related field.)

IV. Calls for Substantial Evidence

The October 2006 Action and 2007 papers assert a number of "facts" that are unsupported by any substantial evidence. These "facts" include at least the following:

- "Utilizing the system and method of Silverman, a user seeking to trade a repurchase agreement can therefore enter preliminary terms to the agreement in order to be matched with a counterparty with a similar interest. These counterparties can then be placed into communication where concrete details of the financial transaction can be hashed out" (Action of 10/23/2006 at page 3).
- "It was old and well known though for there to be post agreement actions that the counterparties are required in order to fulfill the deal. Therefore it would have been obvious to anyone of ordinary skill at the time of the invention to include this step ... because there are inherently steps performed after the closing of the agreement that represent a risk" (Action of 10/23/2006 at page 8).

- “... wherein the record further comprises a right of substitution, margin, and collateral type.” (Action of 10/23/2006 at page 10).
- Any notion that “a repurchase agreement” is different than “an obligation of the selling party to both sell and repurchase securities” (Office paper of 11/16/2007 at page 3).

If any of these (or any similar) assertions are raised in any future paper, Applicant calls for substantial evidence in support.

In particular, Applicant calls for substantial evidence showing that Silverman’s system *as disclosed* could *even theoretically* be used to negotiate *two* linked transactions or obligations, as recited in the now-pending claims, when the Office Action itself concedes that Silverman ’082 at most teaches trading *one* transaction at a time. (Action of 10/23/2006, page 3, line 17).

The former examiner recognized in 2006 that the need for the invention is not a substitute for a showing that an element was known in the art before the filing date, and that there was motivation to combine the elements, and that there was reasonable expectation of success, and that the art taught a practical solution to the need. MPEP § 2143-2143.03 requires that each element of *prima facie* obviousness be addressed separately. The leaps to conclusion in the Office Action sidestep the 3-step *prima facie* analysis of MPEP § 2143-2143.03. This is not permitted. Examiners cannot leap multiple tall buildings in a single bound. To ensure that there is no reliance on hindsight, Applicant calls for substantial evidence showing that every element is known in the art.

In the telephone interview of October 3, 2007, the Examiner and SPE were informed of the dictionary definition of the term “repurchase agreement.” It appears that the Examiner did not look up the term “repurchase agreement” before preparing any further paper. If the Examiner believes that “repurchase agreement” has some other meaning recognized in the art, Applicant invites the Examiner to come forward with substantial evidence of that definition.

V. Withdrawal of Previous Remarks

Applicant apologizes for previous arguments that are not based on the claims, and withdraws all such remarks. Applicant promises that all future papers will be focused on particular claim language, or considerations that relate to precise legal principles.

In return, Applicant requests that all papers from the Examiner be similarly focused on the precise language of the claims, the precise teaching of the references, and precise legal

principles, including the required elements of *prima facie* grounds of rejection (*e.g.*, MPEP § 2143-2143.03 for obviousness). Applicant requests that all future Office papers designate portions of references thought to correspond to each element of the claims “as nearly as practicable,” and either make showings that the elements of the references are arranged as recited in the claims or establish all *prima facie* elements of obviousness, and show that the references provide either an enabling disclosure or “reasonable expectation of success” (MPEP § 2143.02).

The claims as now pending are broader in some respects than previous claims. Applicant intends that the claims as now pending be interpreted under the ordinary interpretation understood in the art, without regard to any previous statements by Applicant’s counsel. Applicant hereby rescinds, and no longer intends that the claims be limited by, any assertion, statement, argument, amendment or other action in this patent application, or in any application whose file history is available for use in interpreting any patent issuing on this application. No such assertion, statement, argument, amendment or other action in this application or in any such available application should be taken as a surrender of or disclaimer from, and may not be used to interpret, any claim of this patent, or any claim of any patent to which such applications’ file histories may be pertinent.

Among the remarks withdrawn are the following:

- All characterizations of “the invention” that are not literally stated in the claims, including those in the specification, are withdrawn.
- All quotations from and references to the specification, to the extent that they suggest that the scope of the invention is defined by the specification rather than the claims, are withdrawn (*e.g.*, paper of 7/27/2005 at pages 8-9, paper of 12/5/2005 at pages 10-11).
- All arguments not based on limitations stated in the claims, and all statements that any feature of the specification is “necessary” or “must” be present when not stated in the claims (*e.g.*, paper of 7/27/2005 at pages 9-10; paper of 12/5/2005 at page 10), are withdrawn.
- All arguments that imply that all offers must communicate all material terms “as part of the original advertisement” (*e.g.*, paper of 12/5/2005 at page 10), and similar statements not directly stated in the claims, are withdrawn.
- Any implication that multiple claims stand or fall together, or that dissimilar claim language may be considered equivalent (*e.g.*, paper of 7/24/2006 at page 10), is withdrawn.

Applicant hereby requests that the Examiner re-visit any previous surrender, disclaimer or characterization of claims, and re-visit any prior art that may have been avoided or intended to be avoided by such surrender, disclaimer or characterization. Pursuant to this request, and to guide this re-visit, Applicant submits a Form 1449 with all references applied in this application and all parent applications. Applicant requests that the 1449 be initialed to confirm that the references have been re-visited. In addition, a new search is requested.

VI. Conclusion

In view of the amendments and remarks, Applicant respectfully submits that the claims are in condition for allowance. Applicant requests that the application be passed to issue in due course. The Examiner is urged to telephone Applicant's undersigned counsel at the number noted below if it will advance the prosecution of this application, or with any suggestion to resolve any condition that would impede allowance. In the event that any extension of time is required, Applicant petitions for that extension of time required to make this reply timely. Kindly charge any additional fee, or credit any surplus, to Deposit Account No. 50-3938, Order No. 00-8201.

Respectfully submitted,
HELIX FINANCIAL SYSTEMS, L.P.

Dated: January 23, 2009

By: /David E. Boundy/
Registration No. 36,461

110 East 59th St.
New York, NY 10022
(212) 294-7848
(917) 677-8511 (FAX)